

Message Text

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PAGE 01 STATE 099583
ORIGIN LAB-04

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SUBJECT: REACTION TO TUAC DOCUMENTATION FOR MAY 5 OECD
LIAISON MEETING

REF: (A) STATE 65114; (B) OECD PARIS 12284

1. REF. A. REMAINS THE POSITION CONCERNING WHO WILL MAKE THE OECD PRESENTATION AT SUBJECT MEETING. THE VIEWS OF CONCERNED AGENCIES ON THE TONE AND DESIRED EMPHASIS OF THE MEETING, AND THE REACTION TO THE TUAC DOCUMENTS, IS GIVEN BELOW FOR GUIDANCE IN DEVELOPING TACTICS FOR THE MEETING AND RESPONDING TO OTHER FORMAL OR INFORMAL CONTACTS WITH TUAC REPRESENTATIVES.

2. THE MISSION SHOULD ACCENTUATE THE POSITIVE IN REACTING
UNCLASSIFIED

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PAGE 02 STATE 099583

TO THE TUAC PRESENTATION SUMMARIZED IN REF B. WHILE WE CANNOT ACCEPT THE TUAC CONCLUSION THAT THERE IS NEED FOR A NEW GROWTH STRATEGY, AND THE U.S. HAS CERTAINLY NOT REDUCED ITS COMMITMENT TO ACHIEVING FULL EMPLOYMENT, WE ARE IMPRESSED WITH THE FOUR TUAC DOCUMENTS AS A SERIOUS ATTEMPT TO ADDRESS CURRENT ECONOMIC AND LABOR MARKET PROBLEMS WHICH

COGENTLY EXPRESSES THE VIEWS OF ORGANIZED LABOR. SUCH INPUTS ARE MOST VALUABLE TO GOVERNMENTS IN DEVELOPING POLICY. THE LIAISON COMMITTEE SHOULD MAKE THIS POINT TO TUAC AND

ENCOURAGE FUTURE CONSULTATIONS ON RELEVANT ECONOMIC AND LABOR MARKET ISSUES.

3. ALTHOUGH CALLING FOR A REVISION IN THE GROWTH STRATEGY, THE MAIN THRUST OF THEIR ARGUMENTS CONCERN QUESTIONS OF POLICY MIX WHICH ARE RELEVANT NO MATTER WHAT THE TARGETED GROWTH RATE. MANY POINTS CONCERNING STRUCTURAL WEAKNESSES IN THE LABOR MARKET AND POSSIBLE POLICY RESPONSES ARE ESPECIALLY INTERESTING IN VIEW OF A REEVALUATION OF THESE ISSUES WHICH IS UNDERWAY IN OUR GOVERNMENT. ON THE OTHER HAND, SOME ARGUMENTS SUCH AS THOSE CONCERNING THE CAUSE OF INFLATION AND FLOATING EXCHANGE RATES ARE NOT PERSUASIVE AND DO NOT SQUARE WITH THE POSITION OF THIS ADMINISTRATION.

4. WE BELIEVE THE CONSULTATIONS WILL BE MOST USEFUL IF THEY CENTER ON STRUCTURAL PROBLEMS AND THE ROLE OF SELECTIVE LABOR MARKET POLICIES IN COMBATING BOTH STRUCTURAL AND CYCLICAL UNEMPLOYMENT RATHER THAN A DEBATE ON WHETHER THE AVERAGE RATE OF GROWTH OF GNP IN THE OECD AREA SHOULD BE CLOSER TO 5 OR 6 PERCENT. AS THE EMPHASIS IN ALL FOUR PAPERS SUBMITTED IS PRECISELY ON THESE ISSUES IT SHOULD BE POSSIBLE TO CHANNEL THE MEETING IN THIS DIRECTION.

5. REACTION TO SPECIFIC POINTS:

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PAGE 03 STATE 099583

A. THE U.S. STRONGLY ENDORSED THE STATEMENT CONCERNING THE "COMMITMENT -- TO FULL EMPLOYMENT AS A MAIN GOAL OF POLICY" IN THE COUNCIL RECOMMENDATION RESULTING FROM THE 1976 MINISTERIAL LEVEL MEETING OF THE MSAC. THE U.S. AND TUAC ARE OF ONE MIND CONCERNING THE IMPORTANCE OF THAT COMMITMENT. IN RECENT MONTHS OUR GOVERNMENT HAS RECOGNIZED THE NEED TO GIVE A HIGHER PRIORITY TO ATTAINING THAT OBJECTIVE AND MANY INITIATIVES ARE UNDERWAY TO REDUCE UNEMPLOYMENT AS RAPIDLY AS POSSIBLE.

B. TO THIS END WE HAVE, IN FACT, PLACED GREATER EMPHASIS ON SELECTIVE POLICIES TO CREATE JOBS USING MEASURES MORE DIRECT THAN GENERAL DEMAND STIMULATION. UNDER THE PRESIDENT'S PROPOSALS, THE NUMBER OF FEDERALLY FUNDED PUBLIC SERVICE JOBS AT THE BEGINNING OF 1977 WILL BE DOUBLED BY OCTOBER AND FUNDS FOR JOBS CREATING PUBLIC WORKS PROJECTS WILL BE INCREASED THREEFOLD. ALSO, CONGRESS HAS BEFORE IT A NUMBER OF PROPOSALS TO PROVIDE SOME FORM OF WAGE

SUBSIDY TO STIMULATE EMPLOYMENT. IN ADDITION, TRAINING PROGRAMS WILL BE EXPANDED TO INCREASE EMPLOYABILITY OF TRAINEES AND REDUCE INFLATIONARY BOTTLENECKS IN MANPOWER SUPPLY DURING THE RECOVERY.

C. WITHIN THE OECD, THE U. S. HAS BEEN ONE OF THE STRONGEST ADVOCATES OF INCREASED STUDY OF SELECTIVE POLICIES TO INCREASE EMPLOYMENT, WITH A VIEW TO DETERMINING THE FULL POTENTIAL OF DIRECT AND INDIRECT MEASURES SPECIFICALLY DESIGNED TO INCREASE EMPLOYMENT; PLACING EMPHASIS ON THOSE MEASURES WHICH IT IS ARGUED WILL HAVE THE LEAST INFLATIONARY IMPACT.

D. TRAINING PROGRAMS ARE ALSO BEING EXPANDED SIGNIFICANTLY WITH EMPHASIS ON YOUNG WORKERS AND DISADVANTAGED GROUPS (E.G. THE NUMBER OF JOB CORPS ENROLLERS WILL BE DOUBLED).

UNCLASSIFIED

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PAGE 04 STATE 099583

E. ONE OF TUAC'S PROPOSALS IS THAT THE STRONGER ECONOMIES SHOULD "ENCOURAGE IMPORTS", (PAGE 33, ITEM 11 OF THE TUAC REPORT) RATHER THAN PRACTICE NEUTRALITY IN TRADE MATTERS. HOWEVER, THIS IS NOT ACCEPTABLE TO THE U.S. AND THERE IS ALSO A SPLIT WITHIN TUAC ON THIS POINT (SEE PAGES 18-20 OF THE AFL-CIO REPORT).

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